EXPORT INCENTIVES

Measures taken by governments to expand their export trade have continued during the past year to be an important subject of international discussion. As stated in Part III of this Report, the provisions of the General Agreement on Tariffs and Trade relating to export subsidies were reviewed by the CONTRACTING PARTIES at their Ninth Session and a new text was prepared for acceptance by governments. When these amendments have been adopted contracting parties will be committed not to resort to subsidies to enlarge their share of the market for primary products or to grant new or increased export subsidies on manufactures. The contracting parties also discussed problems arising from the disposal of surpluses of agricultural products and adopted a resolution in which they recognized that the disposal of surpluses through exportation without regard to the effects on normal commercial trade may cause serious damage to the interests of other exporting countries; when arranging for the disposal of such surpluses in world trade, governments should undertake consultations with the principal exporting countries and with other interested contracting parties. The Food and Agriculture Organization has also studied the problem of surplus disposal and has recommended a set of principles to be observed by governments in the disposal of agricultural surpluses.

In June 1954, the United Kingdom and West German Governments issued an agreed statement that they would not pursue "any policy of providing open or concealed subsidies to exporters", and that "artificial measures of aid to exporters which tend to distort the normal pattern of competition should be abolished as soon as possible". The German Government then announced that it would not seek a renewal of the law providing special tax treatment for the furtherance of exports (including the export allowance on income tax) which expires at the end of 1955.

The many and varied export incentive measures applied by European countries were examined in 1954 by the CEEC and, in January 1955, the Council of that Organization adopted a decision requiring Member countries to discontinue, by the end of 1955, certain legislative measures and administrative actions which afford artificial aid to exporters. The measures covered by this decision include currency retention schemes which involve a bonus on exports, direct subsidies, the remission of direct and indirect taxes and deliveries of imported raw materials below world prices.

Thus through joint action a number of governments are endeavouring to limit the use of subsidies and incentive measures and, eventually, to bring an end to a situation in which each government feels obliged to offer special aid to its exporters to enable them to compete with exports which are assisted by governmental measures in other countries.

Many subsidies and other export incentive measures such as those described in last year's Report are still being applied, however; for example, the use of differential exchange rates as in the case of the favourable rate applied by Uruguay to the export of wool tops, subsidized sales of wheat both
within and outside the International Wheat Agreement, and the subsidization of certain agricultural exports by the United States of America. The use of tariff remissions, described in last year's Report, is still widespread, and the governments of many of the principal commercial countries continue to assist their exporters by enabling them to offer attractive long-term credit facilities.

There has not been any significant change in the character of most export incentive operations during the year, but the various devices used by the United States in the disposal of agricultural surpluses call for a fuller description than they received in last year's Report. The United States has adopted several methods of disposing of the stocks of agricultural products purchased by the Commodity Credit Corporation. These include bilateral barter transactions, usually negotiated by private traders, in which strategic materials are received in exchange for agricultural products, and triangular barter transactions involving delivery of aid in the form of commodities from a third country which in turn receives agricultural products from the United States. During the period July 1954-April 1955 the Corporation has negotiated barter contracts for the disposal in foreign markets of agricultural commodities valued at more than $200 million in exchange for fertilizers, raw silk and strategic metals and other materials. The Agricultural Trade Development and Assistance Act of 1954 provides for the export of $700 million of surplus products over a period of three years in exchange for the local currencies, and sales amounting to more than $200 million have been made under this programme. In spite of the progress that has been made in the disposal of surpluses previously held, the total holdings of the Commodity Credit Corporation have continued to rise, its investment in farm products having increased to more than $7 billion, three-fourths of which is in wheat, cotton and corn, and the balance in more than twenty other commodities. While the United States thus continued during the year to develop various techniques for the disposal of surpluses, the United States Government clarified the policies it intends to pursue in so far as these devices affect the interests of other countries. The United States representative to the Ninth Session of the CONTRACTING PARTIES declared the intention of his Government of avoiding acts that would unduly disrupt world market prices and its intention to give interested governments an opportunity to consult with it concerning its operations under the Agricultural Trade Development and Assistance Act.